CREDIT CARD USE AND COMPULSIVE BUYING AMONG COLLEGE STUDENTS

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• Financial stability is very important especially for college students who are just starting out on their own.

• “For the college Class of 2013, the average borrower carried more than $35,200 in student loan debt.” (www.debt.org)

• Credit card use and compulsive buying could have a very strong effect on college students’ financial stability.

• “The average undergraduate student carries $3,200 in credit card debt. The average graduate student now carries $7,800 in credit card debt, up 60 percent from 1998.” (www.debt.org)

• These statistics do not take into account debt that students may have from automobile loans or mortgages.
• The purpose of this study was to examine the relationships between credit card use and compulsive buying with money attitudes and financial literacy.

• Financial Literacy: knowledge about personal financial matters, such as banking, interest rates, insurance, and retirement funds

• Money attitudes:
  • Power-Prestige – the use of money for power or status
  • Retention-time – conservative use of money for future planning

• Credit Card Use: how credit cards are used to purchase goods and build credit

• Compulsive Spending: tendency to spend without prior planning
PREVIOUS RESEARCH

• Norvilitis & Santa Maria (2002)
  • Found that amount of financial knowledge was correlated with credit card debt.
• Norvilitis et al (2006)
  • Found that financial knowledge and money attitudes were strongly correlated with credit card usage.
• Moore & Carpenter (2009)
  • Found a strong correlation between power-prestige money attitudes and lack of financial responsibility in students.
PREVIOUS RESEARCH

• Chien-Wen (2010)
  • Confirmed the relationship between power-prestige money attitudes and impulse spending. Also confirmed the negative correlation of financial knowledge and impulse spending.

• Norum (2008)
  • Found a negative correlation between retention-time money attitudes and both credit card debt and compulsive spending.
HYPOTHESES

1. There will be a negative correlation between amount of financial knowledge and credit card use and compulsive spending.

2. There will be a positive correlation between power-prestige money attitudes and credit card use and compulsive spending.

3. There will be a negative correlation between retention-time money attitudes and credit card use and compulsive spending.
• 96 participants who were current Indiana University Southeast students took an online survey.

• The survey contained basic demographic questions as well as four separate sections to measure money attitudes, financial literacy, credit card use, and compulsive buying.

• This study used Pearson’s Correlation to measure the relationship between variables.
• Money attitudes were found using select questions on Money Attitude Scale (Yamauchi & Templar, 1982)
  • Money attitudes were measured on a 7 point Likert Scale
  • 8 power-prestige questions, such as:
    • “I use money to influence other people to do things for me.”
    • “In all honesty, I own nice things in order to impress others.”
  • 8 retention-time questions, such as:
    • “I put money aside on a regular basis for the future.”
    • “I follow a careful financial budget.”

• Financial Literacy was found using portions of the Jumpstart Coalition Survey of Personal Financial Literacy (JumpStart)
  • The Personal Financial Literacy Survey was a multiple choice questions test
  • 13 multiple choice questions such as:
    • “When is it acceptable to borrow money?”
    • “Which of the following options will cause you to incur higher finance charges?”
• Compulsive Spending was found using the Compulsive Buying Scale (Valence, et al, 1988)
  • Compulsive Spending Survey used a 5 point Likert Scale
  • 13 questions, such as:
    • “There are times when I have a strong urge to buy.”
    • “When I have money, I cannot help but spend all or part of it.”

• Credit Card use was found using the Credit Card Usage Scale (Roberts & Jones, 2001)
  • The Credit Card Use Survey used a 5 point Likert Scale
  • 12 questions, such as:
    • “I worry about how I will pay off my credit card debt.”
    • “I spend more when I use a credit card.”
### Descriptive Statistics: Financial Knowledge, Money Attitudes, Credit Card Usage, Compulsive Spending

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
<th>Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Knowledge</td>
<td>8.85</td>
<td>2.43</td>
<td>0-13</td>
</tr>
<tr>
<td>Power Prestige</td>
<td>22.20</td>
<td>10.16</td>
<td>9-63</td>
</tr>
<tr>
<td>Retention Time</td>
<td>33.01</td>
<td>7.69</td>
<td>7-49</td>
</tr>
<tr>
<td>Credit Card Usage</td>
<td>26.98</td>
<td>7.17</td>
<td>12-60</td>
</tr>
<tr>
<td>Compulsive Spending</td>
<td>32.19</td>
<td>9.62</td>
<td>13-65</td>
</tr>
</tbody>
</table>

*Note: N = 96*
RESULTS

1. There will be a negative correlation between amount of financial knowledge and credit card use and compulsive spending.
   • This hypothesis was supported.
   • There was a significant weak negative correlation between financial knowledge and credit card use, $r(94) = -.245$, $p \leq .05$, two-tailed.
   • There was also a significant weak negative correlation between financial knowledge and compulsive spending, $r(94) = -.291$, $p \leq .05$, two-tailed.
2. There will be a positive correlation between power-prestige money attitudes and credit card use and compulsive spending.
   • This hypothesis was supported.
   • There was a significant weak positive correlation between power-prestige and credit card use, $r(94) = .290$, $p \leq .05$, two-tailed.
   • There was a significant moderate positive correlation between power-prestige and compulsive spending, $r(94) = .411$, $p \leq .05$, two-tailed.
3. There will be a negative correlation between retention-time money attitudes and levels of credit card use and compulsive spending.
   • This hypothesis was not supported.
   • There was a weak negative correlation between retention-time and credit card use, $r(94) = -0.133$, $p \geq 0.05$, two-tailed, (No significant correlation)
   • There was a weak negative correlation between retention-time and compulsive spending, $r(94) = -0.158$, $p \geq 0.05$, two-tailed, (No significant correlation)
CONCLUSIONS

• Those who have higher financial knowledge are more likely to have lower credit card use and compulsive buying.
  • This supported previous research recorded by Norvilitis et al. (2006), Moore and Carpenter (2009), Lai (2010), and Robb (2011).

• Those who have a power-prestige money attitude are more likely to have higher credit card use and compulsive buying when compared to those who do not.
  • This supported previous research by Lai (2010) and Roberts and Jones (2001).

• We did not find that those who have retention-time money attitude are less likely to have higher credit card use and compulsive buying when compared to those who do not.
CONCLUSIONS (CONT.)

• Importance/Contribution of Study
  • This study looked at two components that can have a large effect on student debt (Credit Card Use and Compulsive Buying) and looked at their relationship with two other components (Money Attitudes and Financial Knowledge)

• Practical Applications
  • Giving students more opportunities to gain financial knowledge could possibly help keep their credit card use and compulsive buying down, but more research is needed before reaching this conclusion.
CONCLUSIONS (CONT.)

• There is limited research on Retention-Time money attitudes and credit card debt and compulsive spending, future research in this area is recommended.

• For future research should consider using college students from more than one university.


• Yamauchi, K. T., & Templer, D. J. (1982). The Development of a Money Attitude Scale. Journal Of Personality Assessment, 46(5), 522
QUESTIONS?